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FARMERS HOME ADMINISTRATION

IN NEBRASKA, 1963

X ANNUAL REPORT TO THE NEBRASKA STATE ADVISORY COMMITTEE

September 25, 1963 X

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Submitted by

Heasty W. Reesman
State Director



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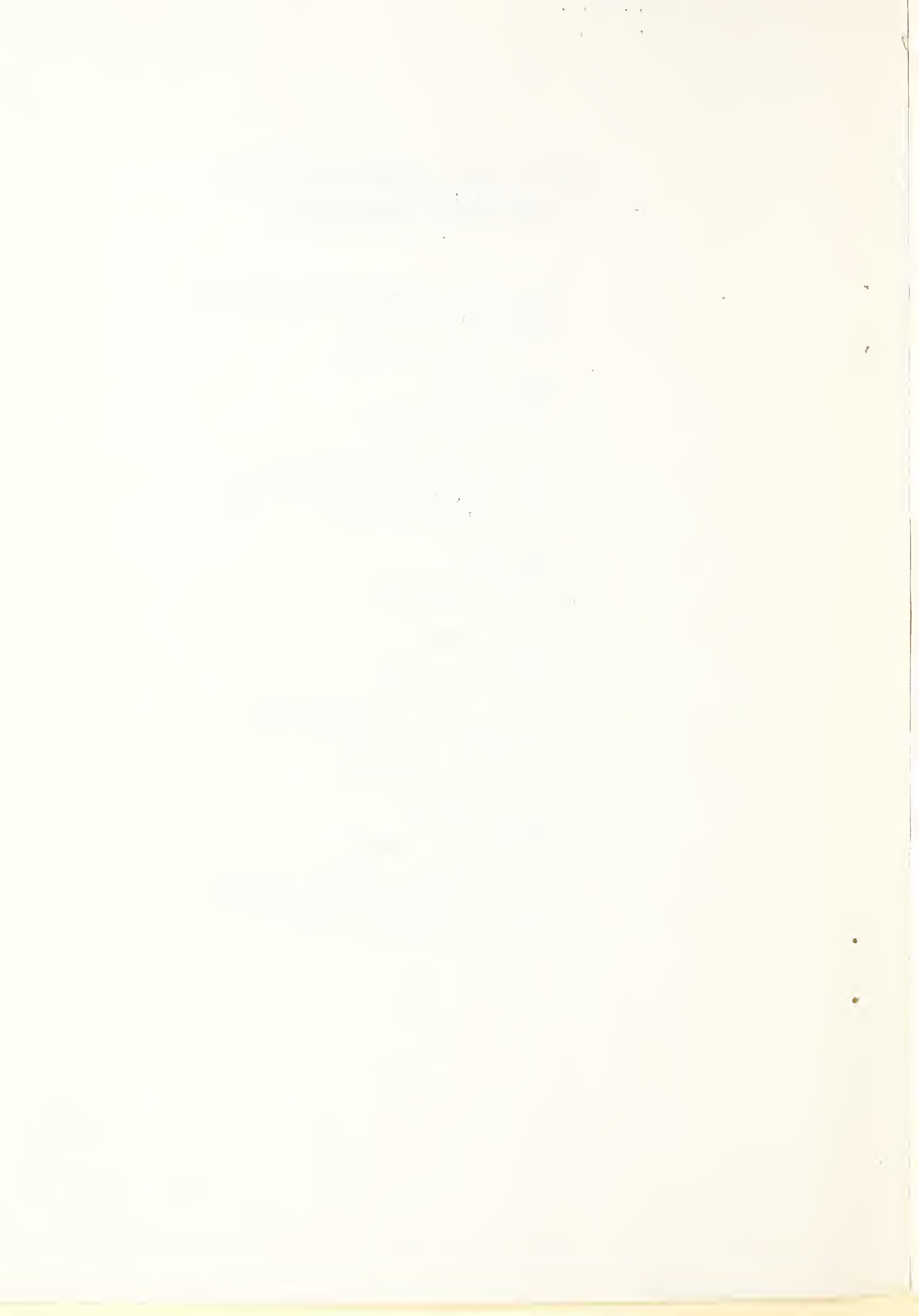
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LOAN PROGRAM OF THE FARMERS HOME ADMINISTRATION

The main objective of Farmers Home Administration is to enable farm families to become soundly established in successful, well-balanced systems of farming. Loans are made primarily for developing and strengthening family-type farms. Loans are also made to assist farmers on less than family-type farms where there is opportunity to develop their resources, improve their income and, together with income from sources off the farm, show ability to repay their loans.

Family-type farms are those large enough to produce enough income to pay (1) farm operating expenses, (2) family living expenses, (3) annual installments on debts, and (4) establish a reserve. Family-type farms are small enough so that the family can do most of the work on the farm.

Loans are made when adequate credit is not available from other sources. Farmers Home Administration borrowers agree to obtain their credit from other lenders when they reach or regain a position where they can do so. Every year many farmers graduate to other lenders. In fiscal 1963 more than 419 Nebraska farmers paid their loans in full to Farmers Home Administration. This credit program supplements other sources of credit.

Credit is backed with advice and technical assistance. This assistance is provided borrowers on the basis of their individual problems and needs. Assistance is given in analyzing problems and progress, planning a sound farming operation, establishing efficient farm management practices, and making a wise use of credit.

Loans are made with expectation that they will be repaid out of income to be received from sound farming operations, rather than on the basis of how much security can be given. However, loans are secured by liens on crops, chattels, and real estate to the extent necessary to protect the Government's interest.

SUPERVISION

Supervision is as characteristic of the program of the Farmers Home Administration as the advancement of credit. The two are inseparable, and each one supports the other. It is a built-in feature of the agency's credit program, and is the one feature which makes the Farmers Home Administration significantly different from most other farm lending agencies.

Supervision consists of extending technical assistance in the field of farm and home management to applicants and borrowers under the program. Supervision starts at the time the first interview is held with the prospective applicant, and continues throughout the life of the loan(s). This action begins at the time of the applicant interview and investigation, and extends through the development of the farm and home plans on which the loan is based. It continues with timely visits to the farm during the crop year, at which time suggestions and recommendations are made for improvement in the farm and family operations. It is an integral part of making collections and is a most effective tool in conducting year-end analysis with borrower families at the conclusion of the crop year. In addition, the Farmers Home Administration supervisor, as part of his supervisory activities, furnishes advice to borrowers in helping them to keep accurate records of income and expenses and assists the family in developing and following budgets, both for the farm and home. Supervision, of course, also includes the furnishing of advice to borrower families in the adoption and following of farm improvement practices, including the area of prudence in money matters.

Supervision is the art and knack of planning with borrower families so as to gain their confidence in the development of plans which will secure the best and most production of the borrower's land, labor, livestock, and other resources. In planning, supervision is always aimed at identifying key problems which are retarding progress, and reaching an agreement with the family on how and when corrective action will be taken to remove such problems. Effective supervision plus the wise use of credit will in most cases always result in the firm establishment of the family in agriculture and the ultimate graduation to other types of credit.

PAST ACCOMPLISHMENTS OF THE FARMERS HOME ADMINISTRATION

It is estimated that 23,000 farmers in Nebraska have been served by the Farmers Home Administration since 1935.

During this time total funds loaned have amounted to \$161,000,000.

In 1962 there were approximately 90,000 farmers in Nebraska, and our caseload on June 30, 1963 was 3,745, indicating that 4 percent of the farmers in Nebraska in 1963 were actively carrying out their farming programs with the assistance of the Farmers Home Administration.

A. RURAL REHABILITATION LOANS

The first experience in the supervised credit program began July 1, 1935 and continued until October 31, 1946. These loans were made to assist farmers who were in serious financial condition as a result of the depression and the drought conditions that existed during the 1930's. This was the first experience in applying supervised credit to assist farmers to re-establish themselves in the farming business. All of these loans were made for the purpose of assisting farmers to obtain livestock, machinery, and to pay operating expenses. There was no land purchase involved. Many of the farmers were tenants. Following is information concerning the results of this loan program:

Total Number of Loans Made.....	11,122
Total Amount of Loans Made.....	\$59,188,602
Principal Collected.....	53,883,214
Interest Paid.....	9,997,742
Percent of Matured Principal Collected.....	91.2%
Percent of Principal Charged Off.....	8.8%

B. OPERATING LOANS

These loans are made to assist farmers to purchase livestock and machinery, finance their debts on chattel property, pay operating expenses and make minor improvements on their farms. These loans are payable over a period of five to seven years at 5 percent interest. The following is information concerning the results of this program:

Total Number of Loans Made.....	7,933
Total Amount of Loans Made.....	\$51,120,450
Total Payment on Principal.....	38,978,288
Interest Paid.....	2,675,432
Percent of Principal Charged Off.....	0.38%

C. EMERGENCY LOANS

Since 1949 emergency type loans have been made to farmers and stockmen who, because of some natural disaster which reduced their income, could not get credit to carry on their operations. These loans may be made for operating expenses, replacement of livestock and equipment, repair of buildings, with the hope of assisting the borrower to again be able to carry on his operations through normal credit sources. These loans are made at 3 percent interest, and the term is generally for one operating year, unless the loan is for purposes where benefits would extend to more than one year.

D. FARM OWNERSHIP LOANS

Farm Ownership loans were initiated in 1938. The purpose of these loans is to assist families to become owners of their land. Loans are made to assist farmers to purchase farms, to construct buildings, to improve the farmland, to develop irrigation systems and other real estate improvements. Some farmers own small tracts of land and are assisted to purchase additional land. Some have heavy debts against their land on terms they cannot meet, and these debts may be refinanced. Some acquire or develop small farms which will not completely support the family but which, if developed, and together with outside income, enables the farmer to support his family and

repay his debts. Following are figures concerning this type of loan made for the period 1938 until December 31, 1962:

Total Number of Loans Made.....	2,040
Total Amount of Loans Made.....	\$30,682,923
Total Payment on Principal.....	10,797,676
Total Interest Collected.....	4,592,589
Principal Repayment to Maturities.....	108%
Percent of Loss on Liquidations.....	0.2%

E. RURAL HOUSING LOANS

These loans have been made to farmers from 1949 until the present time, except for short periods when loan funds were not available. These loans are for the purpose of assisting farm families to construct or improve farm dwellings and other needed farm buildings and to provide water supply for the home and livestock. These loans have been made to farmers operating family-type farms, or to farmers who have small farms, or more recently to rural residents who have only a building site in a rural area. The objective of this program has been to provide decent, safe and moderate priced homes to farm families on terms they can meet from their income. The interest rate on these loans is 4 percent, with the repayment period from 20 to 33 years, according to the particular situation. Following are figures showing the results of this loan program as of December 31, 1962:

Total Number of Loans Made.....	788
Total Amount of Loans Made.....	\$4,835,544
Total Payment on Principal.....	1,654,983
Total Interest Collected.....	641,004
Principal Repayments to Maturities.....	103%
Percent of Loss on Liquidations.....	0

F. SOIL AND WATER CONSERVATION LOANS

This program was started in 1938 and has continued, with several changes, up until the present time. Loans can be made to either individual farmers or to associations of farmers or rural residents. These loans have as their purpose encouragement for the development of irrigation water supplies and their proper use, also the development of farmstead water for use in the home or for livestock. Loans can also be made for land improvements such as land leveling, clearing, seeding, or other purposes which would improve the productivity of the land. Recently, loans have been authorized under this program to develop recreational facilities by groups of farmers working together as an association. Following are figures as to the results of this program as of December 31, 1962. The figures pertain to loans made to individual farmers for the various purposes.

Total Number of Loans Made.....	1,047
Total Amount of Loans Made.....	\$4,630,847
Total Payment on Principal.....	3,483,806
Total Interest Collected.....	654,732
Principal Repayments to Maturities.....	100%
Percent of Loss on Liquidations.....	0.01%

G. WATERSHED LOANS

Watershed loans are made to local organizations to help finance projects that protect and develop land and the water resources in small watersheds. Loans are made only under watershed plans approved by the Soil Conservation Service and, under certain conditions by Congress. Eligible local organizations include soil conservation districts, irrigation districts, drainage districts, flood prevention and control districts, municipal corporations, non-profit irrigation companies, water users associations, etc. One loan has been made in Nebraska to the Mud Creek Soil and Water Conservancy District in Gage County, in the amount of \$40,000, payable over a fifty-year period. The interest rate was 2.936 percent.

FARMERS HOME ADMINISTRATION LOANS AND COLLECTIONS - NEBRASKA

	1959		1960		1961		1962		1963	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
<u>OPERATING LOANS</u>										
Initial	277	\$1,751,820	410	\$2,860,130	409	\$2,989,655	276	\$2,743,590	444	\$4,478,702
Subsequent	1660	2,737,720	1592	2,815,870	1530	2,954,440	1659	3,879,435	1796	4,580,560
Total	1937	4,489,540	2002	5,676,000	1939	5,944,095	1935	6,623,025	2240	9,059,262
<u>S & W LOANS</u>										
Direct	22	76,510	7	33,970	6	22,870	12	44,370	0	0
Insured	5	22,900	4	23,400	11	80,150	11	83,300	6	22,400
Total	27	99,410	11	57,370	17	103,020	23	127,670	6	22,400
<u>FARM OWNER-SHIP LOANS</u>										
Direct	29	519,170	39	807,937	44	954,370	52	1,058,049	54	1,125,510
Insured	47	862,870	23	462,440	22	305,930	229	4,658,820	424	7,991,000
Total	76	1,382,040	62	1,270,377	66	1,260,300	281	5,716,869	478	9,116,510
<u>FARM HOUSE-ING LOANS</u>										
	62	422,450	42	351,535	61	425,920	80	699,617	205	1,779,786
<u>ALL OTHER LOANS</u>										
	0	0	0	0	0	0	1	40,000	178	1,061,500
<u>TOTAL ALL LOANS</u>	2102	\$6,393,440	2117	\$7,355,282	2083	\$7,733,335	2320	\$13,207,181	3107	\$21,039,458
<u>TOTAL COLLECTIONS</u>		\$7,790,070		\$6,603,820		\$7,371,620		\$7,081,881		\$8,123,669

FAMILY PROGRESS INFORMATION

We make some measurements of the accomplishments achieved by borrowers on two types of programs, as follows:

For operating loans, information is submitted to the National Office for tabulation on borrowers conducting adequate family farming operations who pay their loans in full. During the 1963 fiscal year 307 borrowers paid their operating loans in full. Of this number, 227 who were conducting adequate family farming operations continued to farm. From a sample of these cases the following information is given regarding their progress made while under the FHA program:

	<u>Year Before Loan</u>	<u>Last Year Reported</u>
Value of Productive Livestock, and equipment	\$4,190	\$10,101
Debts	4,550	7,336
Net Worth	5,433	11,366
Cash Farm Income	4,336	9,105
Cash Family Living Expense	1,317	1,907
Average Years Indebted	4.9	
Average Age of Applicant	33	

For Farm Ownership borrowers a sample is taken of the borrowers who have been on the program for five years since the date they first received their loan. Information is assembled and tabulated to show the progress that has been made by these borrowers during this five-year period. This information is based on county office records for borrowers who received initial FO loans in 1956 and were still indebted and farming in the 1961 crop year. It compares their farm operations for the crop year before receiving the loan (1955) with the crop year five years later (1961):

	<u>Year Before Loan (1955)</u>	<u>1961</u>
Value of Livestock and equipment	\$ 8,162	\$15,125
Debts	3,967	20,684
Net Worth	11,897	24,705
Cash Farm Income	5,991	13,468

SUMMARY

The supervised credit program that has been conducted by the Farmers Home Administration and its predecessor agencies has furnished assistance to more than 23,000 farm families in Nebraska since 1935. We have also serviced 17,000 loan accounts made through the Emergency Feed and Crop Loan section of the Farm Credit Administration. Most of these families have repaid their loans in full and are now receiving their credit from other sources, or have ceased to farm, depending on their individual circumstances.

This program has had a real impact in furnishing opportunities to farm families to become successful in their farming operations and to improve their financial condition. Without this assistance many of these families would not have had an opportunity to function successfully in a farming enterprise, or would have had a real struggle in doing so.

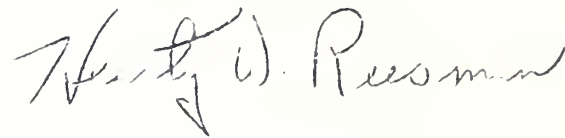
Programs of the United States Department of Agriculture for assisting farmers with these loans had as their objective to help people make a success, rather than loan money for the purpose of making a profit. We have been able, however, to carry on a sound financial program in loaning more than \$160,000,000, with our loans being paid on a current basis ranging from 91 percent to 108 percent of maturities, and taking a loss of less than 1 percent. This was accomplished by the application of principles of supervised credit with college trained personnel, trained in the field of agricultural credit, assisting the farm families to acquire and properly use sufficient resources to become successful. The combination of supervision and credit is a very effective tool in assisting farmers, since it gives the Farmers Home Administration personnel a chance to analyze the farming operation, make recommendations for improving the program, and back up the advice with funds to put these improvements into effect.

We have in Nebraska a total of eighty-eight full time employees working with Farmers Home Administration. Most of our County Supervisory personnel and our administrative and technical people in the State Office are college graduates in Agriculture, and have had special training in applying the principles of supervised credit. With their assistance families are helped to carry out better farming practices, and at the same time protect the Government's interest through an effective loaning and collection program.

The cost to the Government of administering the Farmers Home Administration program in Nebraska during the past fiscal year was approximately \$670,000. During the same period, interest on loans outstanding was collected in the amount of \$1,237,780. The interest will pay the administrative costs, the small amount of losses on loans that would be allocated to this particular year, and still have nearly half of the income available to pay interest on funds that the Government has furnished us to loan to the borrowers.

We are constantly on the alert to improve our operations and assist farm families in Nebraska with management and credit. We desire any suggestions that you have at any time that might be helpful to this end. We welcome suggestions from the State Advisory Committee after their review of this report, and any other data that they wish to use.

Submitted by,

A handwritten signature in cursive script, reading "Heasty W. Reesman". The signature is written in dark ink and is positioned above the printed name.

Heasty W. Reesman
State Director

STATE OFFICE PERSONNEL

Heasty W. Reesman, State Director
Arthur E. von Bergen, Chief, Program Operations
Russell A. Dills, Operating Loan Officer
Joseph P. Haggerty, Real Estate Loan Officer
William E. Newell, Area Supervisor, Area I
Dean W. Reid, Area Supervisor, Area II
Rynold A. Cimfel, Area Supervisor, Area III
Fred C. Brandhorst, Area Supervisor, Area IV
G. William Wilkins, Area Supervisor, Area V
Daren D. Riblett, Program Loan Assistant
Jean F. Nelson, Secretary, State Director
Colleen C. Carpenter, Office Management Assistant
Connie R. Lisec, Clerk-Stenographer
Frances B. Lewis, Clerk-Stenographer

COUNTY OFFICE PERSONNEL

Albion

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Andrew N. Schaf, Assistant County Supervisor
Beverly J. Johnson, County Office Clerk

Alliance

Lloyd A. Hahn, County Supervisor
Carol A. Johnson, County Office Clerk

Beatrice

Raymond J. Lichtenwalter, County Supervisor
George D. Hiatt, Assistant County Supervisor
Amelia A. Wellman, County Office Clerk

Broken Bow

Harold M. Anderson, County Supervisor
Alda M. Thompson, County Office Clerk
Linda K. Mahoney, Assistant County Office Clerk

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Clarence R. Nalls, Assistant County Supervisor
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Bernice L. Finder, County Office Clerk

Creighton

Joe LaBass, County Supervisor
Keith D. Redinbaugh, Assistant County Supervisor
Janet L. Saunders, County Office Clerk

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Frank H. Watson, County Supervisor
Ina M. Ehlers, County Office Clerk

Falls City

Thomas D. Campbell, County Supervisor
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O'Neill

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Jerry L. Browning, Assistant County Supervisor
Larry L. Harder, County Office Clerk

Red Cloud

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James E. Longan, Assistant County Supervisor
Emma Reese Gates, County Office Clerk
Jesse L. DeRiese, Assistant County Office Clerk

Scottsbluff

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Valentine

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Alice A. Engles, County Office Clerk

York

W. Howard Sundberg, County Supervisor
Diane I. Bystrom, County Office Clerk

